AGN. NO.

MOTION BY SUPERVISOR DON KNABE AND SHEILA KUEHL September 27, 2016

The California legislature adopted Community Choice Aggregation (CCA) legislation in 2002 that sets forth the process by which cities and counties in California can form non-profit entities that purchase electricity from wholesale power generators on behalf of their communities. A CCA replaces the existing, investor-owned utilities (e.g., Southern California Edison (SCE) in obtaining electricity and designing retail electricity rates for end-use customers. A CCA relies upon existing electric distribution infrastructure managed by investor-owned utilities to transport electricity to customers. Under the terms of the enabling legislation, the CCA becomes the de facto electricity provider for the community's residents: all customers are transitioned into the CCA and must opt out to remain with the investor-owned utility.

In the past year, numerous cities in Los Angeles County have adopted resolutions in support of establishing Community Choice Aggregation (CCA), including Torrance,

- MORE -

<u>MOTION</u>

RIDLEY-THOMAS	______________
KUEHL	______________
KNABE	______________
ANTONOVICH	______________
SOLIS	______________

Carson, Redondo Beach, Santa Monica, Hermosa Beach, Manhattan Beach, Beverly Hills, Palos Verdes Estates, West Hollywood, and Lomita. The Counties of Santa Barbara, Ventura and Orange have also recently expressed interest in forming CCAs. On September 15, 2015, the Board instructed the Chief Executive Officer and the Internal Service Department's County Office of Sustainability (COS) to hire a consultant to conduct a feasibility study to determine if a Los Angeles County CCA would be financially viable. On July 28, 2016, ISD submitted the requested feasibility study, titled County of Los Angeles Community Choice Energy (LACCE) Business Plan (the "LACCE Business Plan").

The LACCE Business Plan concludes that a Countywide CCA is financially viable, and could potentially yield considerable benefits to County residents and businesses. These benefits include lower electricity rates for customers and power that is significantly greener and more local than what is offered by SCE. Cheaper rates for cleaner energy would in turn deliver savings to County residents and businesses on their electricity costs, and produce a significant reduction in regional greenhouse gas emissions.

These benefits would be magnified if local cities chose to join Los Angeles County in creating a CCA. Rates are expected to decrease as local cities join LACCE because a larger LACCE with greater power needs is able to negotiate lower rates for power procurement. Environmental benefits would increase as cities join LACCE because the power mix offered by LACCE would likely be greener than what SCE

- MORE -

currently offers, and more customers buying greener energy translates to bigger environmental benefits. Moreover, more customers consuming more local green power means more local jobs building and maintaining local green power projects. Thus, there are real benefits for Los Angeles County to work collaboratively with local cities to form a CCA that includes not just Los Angeles County, but local cities as well.

The formation of LACCE is not without risks, however. The major risk is that LACCE rates would be higher than the rates offered by SCE, in which case LACCE would lose revenue as customers migrated back to SCE. This might occur with major power market price changes, and/or significant regulatory or legislative changes at the State level that would make it more difficult for CCAs to be competitive with incumbent utilities. After conducting detailed sensitivity analyses associated with these risks, the Business Plan concludes that they are manageable, and that there is no reasonable set of risk-related circumstances under which the base LACCE rate would be higher than SCE's rate.

With the completion of the LACCE Business Plan and its conclusion that LACCE is a viable option for the region, the County should continue to work with eligible cities and other stakeholders towards the formation of this significant program.

WE, THEREFORE MOVE that the Board of Supervisors instruct the Chief Executive Office, Chief Sustainability Officer, County Counsel, and ISD to:

1. Work with eligible and interested cities, labor groups, and other relevant stakeholders to:

    a. Conduct extensive outreach to eligible cities, and clearly articulate to them the benefits and risks of forming LACCE.

    b. Negotiate a JPA and governance structure for LACCE, with individuals authorized to represent interested and eligible cities, which shall incorporate the best practices in CCA governance as set forth in the JPA documents that govern the following CCAs: Marin Clean Energy, Sonoma Clean Power, and Peninsula Clean Energy. County Counsel shall negotiate the JPA on behalf of the County of Los Angeles and shall ensure that the JPA (i) reflects the County's commitment to providing affordable local green power that is significantly greener and more local than what is required by State law; and (ii) provides meaningful local representation of participating cities on the LACCE governing board.

    c. Report back every sixty days on the progress of the JPA negotiations and the level of interest shown by eligible cities.

2. Conduct JPA negotiations until a JPA document is complete, with a target deadline of six months from Board adoption of this motion. Upon the completion of a negotiated JPA with interested cities, CEO shall present the following to the Board:

    a. The proposed LACCE JPA and governance structure.

b. A recommended funding source for LACCE start-up costs.

c. Recommendations for staffing LACCE.

d. The final steps the County must take to initiate the creation of LACCE.

e. The final steps interested cities must take to join LACCE at launch.

f. The benefits and risks associated with creating and launching LACCE.

# # #

DK:SK:ms:ky